

**Lex Watson**

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**From:** Lex Watson  
**Sent:** Wednesday, September 18, 2019 2:19 PM  
**To:** Gina Spearman  
**Cc:** Kelly Allison; Sarah Laprade  
**Subject:** RE: P&L Call

Gina:

Understood - and I assume that even though the P&L refers to the "Branch Margins" and Branch Expenses, it really is setting forth the Regional margins, expenses, etc.

As for the actual numbers, I noticed that some items that you would think would be fairly fixed from month to month (*i.e.*, office rent, internet service, etc.) vary up to \$20,000 from one month to the next (going both up and down). Also, some of the numbers do not make sense (*i.e.*, a \$7 expense for local phone service in the month of January?). I assume that a number of the items (salaries, loan origination costs, and the items listed under "Total Office and Admin") would be compiled / tracked at the regional level and therefore would be readily available to you - is that a correct assumption?

Do you have any prior information that would explain / illustrate how they arrived at the Corporate Allocation to your branch/region? The spreadsheet shows an average corporate allocation of \$635,076 per month - which would translate to \$7,620,912 per year allocated to your region - or why it rose by \$300,000 per month from January to July. Are some of the personnel at Corporate paid based upon the loan volume/revenue volume?

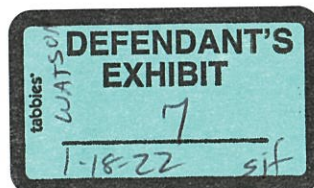
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**From:** Gina Spearman [mailto:Gina.Spearman@Nafinc.com]  
**Sent:** Wednesday, September 18, 2019 1:19 PM  
**To:** Lex Watson  
**Cc:** Kelly Allison; Sarah Laprade  
**Subject:** RE: P&L Call



Lex, attached is the ytd thru July rolling P&L statement provided to us. We have many questions about the accuracy of the numbers. Thanks

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**Gina Spearman**  
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From: Lex Watson <[lwatson@merrittwatson.com](mailto:lwatson@merrittwatson.com)>  
Sent: Wednesday, September 18, 2019 9:13 AM  
To: Gina Spearman <[Gina.Spearman@Nafinc.com](mailto:Gina.Spearman@Nafinc.com)>  
Cc: Kelly Allison <[Kelly.Allison@Nafinc.com](mailto:Kelly.Allison@Nafinc.com)>; Sarah Laprade <[Sarah.Laprade@Nafinc.com](mailto:Sarah.Laprade@Nafinc.com)>  
Subject: RE: P&L Call

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Gina:

One further thing, the compensation schedule refers to a document named the "Regional Performance Bonus Policy and Procedure" which is supposed to set forth the manner in which NAF computes the Region's profits and losses. Do you have a copy of that document? If so, can you forward it to me?

Thanks,

Lex A. Watson, II  
Merritt Watson, LLP  
200 Galleria Parkway, Suite 500  
Atlanta, Georgia 30339  
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**From:** Gina Spearman [<mailto:Gina.Spearman@Nafinc.com>]

**Sent:** Tuesday, September 17, 2019 2:35 PM

**To:** Lex Watson

**Cc:** Kelly Allison; Sarah Laprade

**Subject:** FW: P&L Call

Please see grid below

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 <div> <p><b>Gina Spearman</b> Regional Manager NMLS# 152661</p> <p><b>Office:</b> (800) 450-2010 Ext. 3758 <b>Cell:</b> (404) 449-4515 <b>Fax:</b> (404) 529-4043 <b>Email:</b> <a href="mailto:Gina.Spearman@nafinc.com">Gina.Spearman@nafinc.com</a></p> <p><b>Address:</b> 5607 Glenridge Dr Ste. 100 Atlanta, GA 30342</p> <p><b>Website:</b> <a href="http://www.newamericanfunding.com">www.newamericanfunding.com</a></p> <p><b>Get Connected:</b>      </p> </div>		
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**From:** Scott Frommert <[Scott.Frommert@Nafinc.com](mailto:Scott.Frommert@Nafinc.com)>

**Sent:** Thursday, September 12, 2019 12:03 PM

**To:** Kelly Allison <[Kelly.Allison@Nafinc.com](mailto:Kelly.Allison@Nafinc.com)>; Gina Spearman <[Gina.Spearman@Nafinc.com](mailto:Gina.Spearman@Nafinc.com)>

**Cc:** Jan Preslo <[Jan.Preslo@Nafinc.com](mailto:Jan.Preslo@Nafinc.com)>; Jon Reed (EVP Retail) <[Jon.Reed@Nafinc.com](mailto:Jon.Reed@Nafinc.com)>

**Subject:** P&L Call

Please see below for our call



SE	Option 1			Option 2			Option 3		
	High BPS & Low %			Mid BPS & Mid %			Low BPS & High %		
NO GROWTH	BPS Earned	27.5		BPS Earned	20.0		BPS Earned	10.0	
	Split	5.0%		Split	32.5%		Split	50.0%	Current Plan
									\$ 4,877
	SVP Comp	2020		SVP Comp	2020		SVP Comp	2020	
	Worse	4,218,185	-14%	Worse	4,226,516	-13%	Worse	4,162,692	-15%
	Base	4,308,185	-12%	Base	4,811,516	-1%	Base	5,062,692	4%
	Better	4,398,185	-10%	Better	5,396,516	11%	Better	5,962,692	22%
3% GROWTH	BPS Earned	27.5		BPS Earned	20.0		BPS Earned	10.0	
	Split	7.5%		Split	35.0%		Split	52.5%	Current Plan
									\$ 5,154
	SVP Comp	2020		SVP Comp	2020		SVP Comp	2020	
	Worse	4,577,819	-11%	Worse	4,791,224	-7%	Worse	4,874,473	-5%
	Base	4,712,819	-9%	Base	5,421,224	5%	Base	5,819,473	13%
	Better	4,847,819	-6%	Better	6,051,224	17%	Better	6,764,473	31%
6% GROWTH	BPS Earned	27.5		BPS Earned	20.0		BPS Earned	10.0	
	Split	10.0%		Split	37.5%		Split	55.0%	Current Plan
									\$ 5,443
	SVP Comp	2020		SVP Comp	2020		SVP Comp	2020	
	Worse	4,945,928	-9%	Worse	5,322,005	-2%	Worse	5,578,259	2%
	Base	5,125,928	-6%	Base	5,997,005	10%	Base	6,568,259	21%
	Better	5,305,928	-3%	Better	6,672,005	23%	Better	7,558,259	39%
Reserve	\$ 100,000			\$ 250,000			\$ 500,000		

\* Growth is measure off of funded purchase production compare to previous year

\* Growth factor to be measured annually and paid out as bonus after year close. Year 1 growth 1/1/2020 to 12/31/2020

\* Connect paid at 10 on high bps, 0 on others, accounted for in math

Thank you,

**Scott Frommert**  
Chief Financial Officer



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## Rolling P&amp;L Statement (01/19-07/19)

		68,574,689	87,363,926	124,133,207	133,376,529	161,326,440	145,314,690	187,224,327	907,313,808
Funded Volume		386	474	622	680	834	743	905	4,644
Funded Units									
Expense Code	Expense Name	2019/01/01	2019/02/01	2019/03/01	2019/04/01	2019/05/01	2019/06/01	2019/07/01	Total
	Rate Sheet Margin	\$ 3,040,186	3,852,945	5,664,085	5,953,290	7,069,741	6,270,491	7,975,639	39,826,379
	Specified Pool Pay-up	156,027	217,950	278,930	304,252	432,158	302,189	367,123	2,058,632
	Fee Revenue	419,242	512,290	647,882	722,169	876,357	757,729	932,547	4,866,218
	<b>GPM Total</b>	<b>\$ 3,615,455</b>	<b>4,582,185</b>	<b>6,590,897</b>	<b>6,977,711</b>	<b>8,378,256</b>	<b>7,330,409</b>	<b>9,275,309</b>	<b>46,753,229</b>
	Price Exceptions	\$ 492,286	767,364	1,094,810	1,115,187	1,281,960	1,145,862	1,581,283	7,482,755
	<b>NET BRANCH MARGIN</b>	<b>\$ 3,123,169</b>	<b>3,814,821</b>	<b>5,496,087</b>	<b>5,862,524</b>	<b>7,096,296</b>	<b>6,184,547</b>	<b>7,694,026</b>	<b>39,270,474</b>
	<b>Direct Loan Costs</b>								
	Commissions	\$ 1,338,433	1,685,129	2,401,010	2,473,890	2,959,618	2,770,623	3,424,611	17,053,320
	Loan Origination Expense	\$ 23,249	23,328	28,320	28,125	34,290	30,330	30,821	198,463
	Operations Management & Administration	364,136	315,150	365,218	398,297	503,913	444,834	648,041	3,039,592
	Processing	260,250	255,744	313,880	338,125	466,344	412,488	476,476	2,523,307
	Underwriting	73,564	76,032	97,940	96,875	121,920	107,840	133,280	707,451
	Funding	59,684	53,568	67,260	71,250	85,344	75,488	87,465	500,059
	Post Closing	34,700	43,200	59,000	62,500	76,200	67,400	83,300	426,300
	MERS, Encompass, & OB	20,820	25,920	35,400	37,500	45,720	40,440	49,980	255,780
	Warehouse Line Cost	10,410	12,960	17,700	18,750	26,670	23,590	29,155	139,235
	Repurchase Reserve	5,672	0	0	2,686	16,795	7,996	41,145	70,613
	Actual Early Payoff Expense	0	0	0	0	29,682	0	0	29,682
	Other	0	0	0	0	0	0	0	0
	<b>Total Loan Origination Expense</b>	<b>\$ 852,486</b>	<b>805,902</b>	<b>984,718</b>	<b>1,054,108</b>	<b>1,406,878</b>	<b>1,210,406</b>	<b>1,546,514</b>	<b>7,861,015</b>
	<b>Total Direct Loan Costs</b>	<b>\$ 2,190,919</b>	<b>2,491,031</b>	<b>3,385,728</b>	<b>3,527,998</b>	<b>4,366,496</b>	<b>3,981,029</b>	<b>4,971,125</b>	<b>24,914,335</b>
	<b>NET MARGIN</b>	<b>\$ 1,932,250</b>	<b>1,323,790</b>	<b>2,110,359</b>	<b>2,334,526</b>	<b>2,689,400</b>	<b>2,193,518</b>	<b>2,712,901</b>	<b>14,356,139</b>
	<b>Branch Expenses</b>								
	Net Unrecovered Loan Fees	\$ 31,679	(42,399)	(53,117)	(62,014)	(40,541)	(34,728)	(47,864)	(312,345)
	Verification Fees	(7,052)	(8,540)	(11,568)	(12,564)	(15,138)	(13,512)	(16,573)	(84,947)
	Credit Report (Only) Expense	130,358	177,617	205,567	212,602	236,451	213,748	244,746	1,421,092
	Unrecovered Loan Fees	\$ 91,626	126,678	140,882	138,033	180,772	165,507	190,307	1,023,799
	<b>Total Branch Compensation</b>	<b>\$ 474,515</b>	<b>385,497</b>	<b>419,618</b>	<b>419,800</b>	<b>430,541</b>	<b>411,895</b>	<b>426,182</b>	<b>2,968,051</b>
	Branch Salaries	327,000	295,620	308,994	328,009	354,861	325,139	342,583	2,282,208
	Branch Overtime	19,628	14,333	21,466	26,273	26,479	24,038	29,442	161,662
	Unrecovered Advance Draws	30,401	0	15,793	(10,559)	0	25,760	(5,182)	56,213
	Unearned Branch Guarantees	97,484	75,543	73,364	76,076	49,201	36,956	467,967	467,967
	<b>Total Regional Compensation</b>	<b>\$ 47,317</b>	<b>41,750</b>	<b>46,584</b>	<b>56,345</b>	<b>48,080</b>	<b>41,853</b>	<b>73,965</b>	<b>355,897</b>
	Regional Salaries	57,044	56,118	62,595	68,385	77,216	62,744	79,756	463,861
	Health Care Adjustment	\$ 104,362	97,868	109,179	124,730	125,296	104,598	153,722	819,758
	<b>Total Office &amp; Admin</b>	<b>\$ 151,679</b>	<b>138,618</b>	<b>155,753</b>	<b>181,115</b>	<b>173,376</b>	<b>146,451</b>	<b>227,717</b>	<b>1,024,513</b>
	Seminar & Training	0	0	0	0	0	84	0	84
	Office Relocation Expense	0	0	0	0	0	0	200	200
	Conference & Registration Fees	0	0	112	87	0	0	0	200
	Computer Software	0	0	0	0	4,836	5,064	4,885	14,785
	Printer Toner	6,785	5,100	6,916	1,773	3,449	4,409	5,042	33,477
	Signage	10,734	1,949	462	505	8,443	463	6,943	29,502



71010	Parking	2,490	2,520	2,340	2,340	2,235	2,250	16,425
71020	Janitorial	4,675	4,847	6,935	6,935	6,495	6,060	40,732
71100	License & Permits	4,300	(1,627)	(1,268)	(4,330)	(3,140)	159	11,422
71205	Asa Fees	1,986	2,638	2,595	1,863	1,752	4,200	17,765
71206	Desk Rental	3,640	3,390	4,119	3,927	4,719	4,177	27,613
71210	Office Meals	293	1,291	469	1,657	826	527	5,663
71220	Office Supplies	6,474	4,651	10,447	5,296	4,133	7,615	44,332
71250	Company Parties	2,616	0	0	0	0	0	2,616
71270	Employee Relations	631	0	537	880	294	431	3,151
71200	Office Expense	15,529	10,912	13,085	14,802	2,888	14,508	85,906
71600	Printing & Reproduction	21	305	0	0	0	0	2,962
71610	Shredding	2,176	1,306	1,611	1,718	2,180	1,516	12,217
71675	Overnight & Courier Delivery	4,817	4,596	2,230	2,361	3,995	2,920	24,194
71900	Dues & Subscriptions	5,422	149	155	6,000	249	187	19,479
72100	Equipment Rental & Leases	102	102	0	102	0	0	307
72150	Repair & Maintenance	3,164	1,965	1,330	1,589	1,085	856	11,447
72200	Utilities	5,597	4,518	3,720	3,156	4,813	5,203	29,936
72210	Internet Service	17,235	12,661	9,946	12,250	10,746	12,192	85,466
72251	Telephone - Local	7	35	17	37	33	3	162
72295	Telephone Equipment	480	160	960	0	160	160	2,720
72350	Property and Liability Insurance	114	86	0	0	0	0	200
75600	Meals	1,090	1,556	39	4,105	1,746	3,881	18,469
75650	Entertainment	0	0	0	341	0	0	341
76150	Computer Hardware	10,880	15,810	15,030	18,090	2,740	2,200	71,680
76190	Printer Maintenance	375	4,133	3,067	390	3,252	1,725	16,241
76300	Computer Support / Consultants	2,223	3,228	865	2,080	1,226	0	21,835
76600	Security (Physical) - Monitoring	181	146	476	716	898	2,045	4,695
79820	Gifts	0	258	526	0	0	0	785
1000204	Other Regional Expenses	29,452	41,986	79,723	47,418	58,348	64,963	379,270
1000025	Branch CapEx Roll	3,532	3,774	4,849	6,118	6,327	35,609	35,609
1000029	EPO Amortization	0	0	0	(15,395)	(5,930)	(5,263)	(26,589)
	<b>Total Office &amp; Admin</b>	<b>\$ 158,686</b>	<b>151,747</b>	<b>166,178</b>	<b>139,751</b>	<b>122,099</b>	<b>156,499</b>	<b>1,045,312</b>
70245	Marketing - Subscription	325	0	271	0	0	0	596
70110	Marketing - Events	12,760	10,605	3,955	2,375	2,057	2,084	42,317
70120	Marketing - Leads	0	0	0	75	0	1,114	1,189
70200	Marketing - Postage	55	33	0	268	0	67	423
70260	Marketing - Billboards	2,865	1,815	0	0	0	400	7,945
70300	Marketing - Supplies	8,734	3,162	5,528	2,579	1,246	4,032	28,238
70345	Marketing - Marketing Ledger	0	0	132	4,305	5,515	13,162	13,162
70350	Marketing - Misc.	3,872	1,595	909	1,608	3,195	366	13,646
70400	Advertising	1,655	443	42	500	443	62	4,233
1000023	Employee Expense Reimbursement	0	0	0	(1,367)	0	0	(1,367)
	<b>Total Marketing</b>	<b>\$ 25,603</b>	<b>21,206</b>	<b>10,839</b>	<b>10,345</b>	<b>12,458</b>	<b>11,338</b>	<b>110,387</b>
71000	Rent Expense	155,960	158,219	157,263	179,850	163,241	169,378	1,154,820
	<b>Total Rent</b>	<b>\$ 155,960</b>	<b>158,219</b>	<b>157,263</b>	<b>179,850</b>	<b>163,241</b>	<b>169,378</b>	<b>1,154,820</b>
75100	Travel - Air Fare	2,967	1,383	1,421	3,861	3,972	1,596	15,942
75200	Travel - Lodging	1,719	2,070	1,963	5,300	6,596	6,081	27,639
75250	Travel - Meals	632	300	291	1,343	184	692	3,743
75300	Travel - Car Rental	619	139	1,017	1,896	1,114	1,442	6,417
75400	Travel - Tolls & Parking	396	76	24	150	89	152	1,006
75500	Travel - Other	939	1,138	593	958	2,429	1,752	8,634
	<b>Total Travel</b>	<b>\$ 7,274</b>	<b>5,107</b>	<b>5,312</b>	<b>13,511</b>	<b>14,385</b>	<b>11,718</b>	<b>63,385</b>
	<b>Total Branch Expenses</b>	<b>\$ 1,018,029</b>	<b>946,325</b>	<b>1,022,148</b>	<b>1,080,068</b>	<b>994,187</b>	<b>1,109,146</b>	<b>7,185,516</b>

Corporate Allocation	1000006	Corporate Allocation	\$	516,476	601,907	533,786	611,334	691,744	673,627	816,657	4,445,534
Total Corporate- Regional Expenses			\$	516,476	601,907	533,786	611,334	691,744	673,627	816,657	4,445,534
CORPORATE MARGIN											
			\$	(602,235)	(225,245)	560,951	559,142	957,986	537,106	457,106	